

**For Immediate Release**  
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**Judy Chu Reminds Taxpayers that Sales to the US Government are Nontaxable**  
*Digital Television Converter Box Coupons Raise Issue*

Judy Chu, Ph.D., Chair of the State Board of Equalization (BOE), today announced that nearly 16,000 registered California sellers of electronic devices will be sent information regarding the taxability of the retail sale of Digital Television Converter Boxes when a government coupon is used.

Retailers are being reminded of the application of tax law in this circumstance to alleviate confusion by retailers and consumers about how sales tax applies when a consumer uses a government coupon in the purchase of a converter box.

Televisions that are not digital and use an antenna will not work after February 17, 2009. This broadcast change is a requirement of the federal government. As a result, the US Department of Commerce, National Telecommunications and Information Administration (NTIA), is making available coupons worth \$40 to consumers who request them on a first come first served basis. BOE has received inquiries regarding what amount of sales tax applies when a coupon is used in the purchase of a converter box.

Sales of the television converter boxes are taxable retail sales. However, only a portion of the gross receipts from the sale of the converter boxes is subject to tax. The amount subject to tax is only the amount paid by the consumer. The portion paid by a United States government agency, through the use of a coupon, is a nontaxable sale to the United States. Sales tax does not apply to the United States government or its agencies.

An example of how the law applies follows: A converter box is sold for \$49.99. The purchaser presents a coupon issued by the NTIA in the amount of \$40. After the deduction of the coupon, the selling price to the purchaser is \$9.99. Tax applies to the \$9.99 directly paid by the purchaser. The \$40 coupon is a non taxable sale to the United States. If no coupon is used, and the purchaser pays the full \$49.99, sales tax applies to the \$49.99 sales price.

If a retailer has inappropriately collected the tax and remitted it to BOE, the retailer should request a refund from the BOE and return the excess tax collected to consumers. Consumers who believe they have been overtaxed should take their receipt to the retailer and request a refund of the amount of tax that was overpaid.

Chair Judy Chu represents the Fourth Board of Equalization District, which includes Los Angeles County. She won election to the BOE in November 2006 and was elected Chair of the Board of Equalization in January 2008. Chair Judy Chu is also a voting member of the Franchise Tax Board.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

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